

# Work in Retirement: Myths and Motivations

*Career Reinventions and the New Retirement Workscape*

A Merrill Lynch Retirement Study conducted  
in partnership with Age Wave

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# Executive Summary



Retirement used to mean the end of work. But now we're at a tipping point: a *majority* of people will be continuing to work after they retire — often in new and different ways.

Nearly half (47%) of today's retirees say they either have worked or plan to work during their retirement. But an even greater percentage (72%) of pre-retirees age 50+ say they *want* to keep working after they retire, and in the near future it will become increasingly unusual for retirees *not* to work. This new phenomenon is driven by four forces:

- **Increasing life expectancy**, which has produced a retirement that can last 20 years or more.
- **Elimination of pensions for most workers**, shifting the burden for funding retirement from employers to retirees.
- **Recent economic uncertainty**, which has been a wake-up call for many people that it is not financially sustainable to retire without some employment income.
- **Re-visioning of later life**, as new generations seek greater purpose, stimulation, social engagement, and fulfillment in retirement.

While some are delaying retirement, a growing number of people are continuing to work after they retire. Because this is largely uncharted territory, pre-retirees who anticipate working in retirement are confronted with many questions and uncertainties: Will I be able to find work in my later years? If so, for how long? How can I balance work with other things I want to do? What kind of work might I be able to do? Will I enjoy it? Will it help me be more financially secure? What can I do now to best prepare for working during my retirement years?

These pre-retirees can learn essential lessons from people who are now working in retirement. This landmark study—based on a nationally representative survey of 1,856 working retirees and nearly 5,000 pre-retirees and non-working retirees—is the most comprehensive investigation of the successes, pitfalls and innovative career paths in today's retirement.

## Busting the Four Biggest Myths

By examining the experiences of working and non-working retirees, the *Work in Retirement: Myths and Motivations* study dispels important misperceptions.

### **Myth 1: Retirement means the end of work.**

**Reality:** Over seven in 10 pre-retirees say they want to work in retirement. In the near future, it will be increasingly unusual for retirees not to work.

### **Myth 2: Retirement is a time of decline.**

**Reality:** A new generation of working retirees is pioneering a more engaged and active retirement—the New Retirement Workscape—which is comprised of four different phases: (1) Pre-Retirement, (2) Career Intermission, (3) Reengagement and (4) Leisure.

### **Myth 3: People primarily work in retirement because they need the money.**

**Reality:** This research reveals four types of working retirees: Driven Achievers, Caring Contributors, Life Balancers and Earnest Earners. While some work primarily for the money, many others are motivated by important nonfinancial reasons.

### **Myth 4: New career ambitions are for young people.**

**Reality:** Nearly three out of five retirees launch into a new line of work, and working retirees are three times more likely than pre-retirees to be entrepreneurs.

## The New Retirement Workscape

Based on an examination of these myths and realities, and the experiences of retirees now working in retirement, this study reveals how today's working retirees are creating a new path through retirement (FIG 1), and offers a guide to help pre-retirees chart a course toward a rewarding retirement career. This report summarizes the findings from this study.

Figure 1: The New Retirement Workscape



# Methodology



*This study, which was completed in March 2014, was conducted in partnership with Age Wave and executed online by TNS. The survey included 7,078 survey respondents. Findings in this report are based on a sample of 3,503 respondents age 25+, representative of the U.S. national population by age, income, gender, and geography. By age breakdown, the 3,503 are: 720 Silent Generation (age 69-89), 1,781 Boomers (age 50-68), 517 Generation Xers (age 38-49), and 485 Millennials (age 25-37). The report also includes findings based on an oversample of 1,856 working retirees age 50+ who self-identified as both “retired” and “working.” This group includes unpaid workers who volunteered ≥ 20 hours per week. An additional sample of 2,829 affluent respondents age 50+ with at least \$250,000 in investable assets (including liquid cash and investments, but excluding real estate) are not detailed in this report and will be included in a future release. Informing all findings, focus groups were also conducted among both pre-retirees and retirees.*



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## **About Age Wave**

Age Wave is the nation's foremost thought leader on population aging and its profound business, social, financial, healthcare, workforce, and cultural implications. Under the leadership of Founder/CEO Dr. Ken Dychtwald, Age Wave has developed a unique understanding of new generations of maturing consumers and workers and their expectations, attitudes, hopes, and fears regarding retirement. Since its inception in 1986, the firm has provided breakthrough research, compelling presentations, award-winning communications, education and training systems, and results-driven marketing and consulting initiatives to over half the Fortune 500. For more information, please visit [www.agewave.com](http://www.agewave.com). (Age Wave is not affiliated with Bank of America Corporation.)

Source: Bank of America. Merrill Lynch Global Wealth Management (MLGWM) represents multiple business areas within Bank of America's wealth and investment management division including Merrill Lynch Wealth Management (North America and International), Merrill Lynch Trust Company, and Private Banking & Investments Group. As of March 31, 2014, MLGWM entities had approximately \$1.9 trillion in client balances. Client Balances consists of the following assets of clients held in their MLGWM accounts: assets under management (AUM) of MLGWM entities, client brokerage assets, assets in custody of MLGWM entities, loan balances and deposits of MLGWM clients held at Bank of America, N.A. and affiliated banks.

# Myth 1: Retirement Means the End of Work



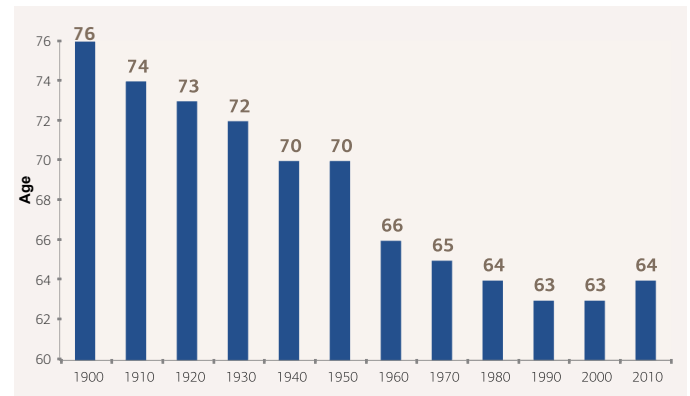
*Reality: Over seven in ten pre-retirees say they want to work in retirement. In the near future, it will be increasingly unusual for retirees not to work.*

## The Birth of Retirement and the End of Work

Up until the beginning of the 20th century, most people did not retire. The economy was largely agrarian and family-based, and all generations pitched in. Then, in the early 20th century, much of the labor force migrated from the family farm to the factory assembly lines. Speed, agility, adaptability and strength were at a premium: age and experience, once an asset, became a liability. In 1935, in the midst of the Great Depression, Social Security was created, officially institutionalizing retirement for older workers. Still, the average retirement age in the 1930s was over 70 (FIG 2), and time spent in retirement—among those who lived to retire—averaged less than five years.<sup>1</sup>

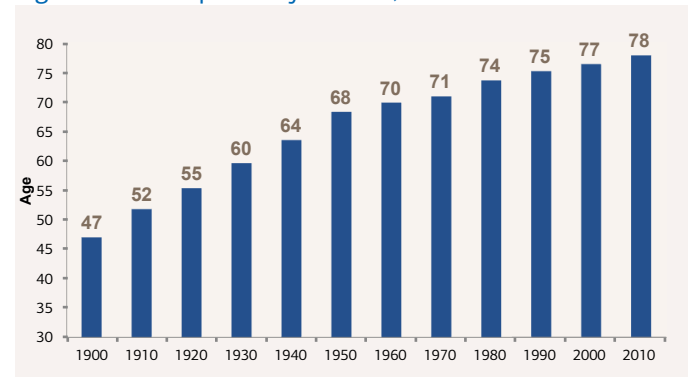
Through subsequent decades, people began retiring earlier and earlier. Social Security benefits were increased 77 percent in 1950, and by the 1960s, company pensions covered half of all workers, up from virtually no workers in 1900.<sup>2</sup> The average age of retirement plummeted from 72 in 1930 to 63 in the year 2000, and at the same time, life expectancy soared to 77 by the end of the century, up from just 47 in 1900 (FIG 3). Increasingly, people began living in retirement for decades. The labor force participation rate among those ages 55+ fell to 32%, less than half the level in the early 20th century (FIG 4).

Figure 2: Average retirement age, 1900-2010



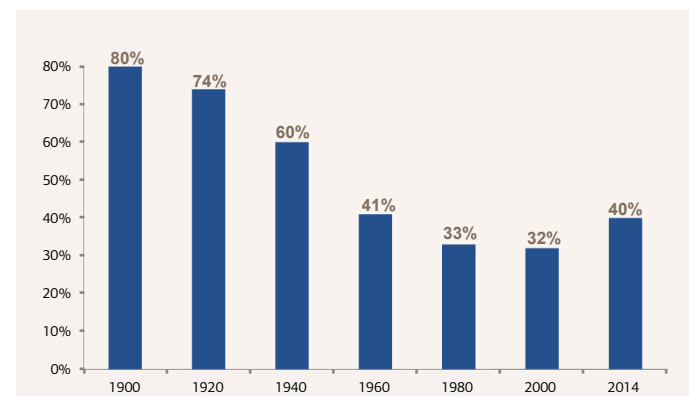
Source: Burtless G, Quinn JF, "Retirement Trends and Policies to Encourage Work Among Older Americans," 2000; Munnell A, "What Is the Average Retirement Age?", Boston College, 2011; Data show male average retirement age for comparability across timeline.

Figure 3: Life expectancy at birth, 1900-2010



Source: Social Security Administration, 2014

Figure 4: Labor force participation rate, age 55+



Source: Bureau of Labor Statistics, 2014; Munnell A, "What Is the Average Retirement Age?", Boston College, 2011

## The Resurgence of Older Workers

With increasing life expectancy, lengthening retirements, and difficulties funding so many non-working years, times are changing: A growing number of people are beginning to question whether a 20+ year retirement without work is practical, desirable or affordable.

After decades of decline, working in later life is making a comeback. Today, 40% of people age 55+ are working — a level of engagement in work among this age group not seen since the 1960s. As more people continue working in their later years, the U.S. workforce is steadily transforming. In prior decades, workforce growth was driven by the influx of young workers. In the last seven years, however, workers age 55+ accounted for virtually all workforce growth (FIG 5).

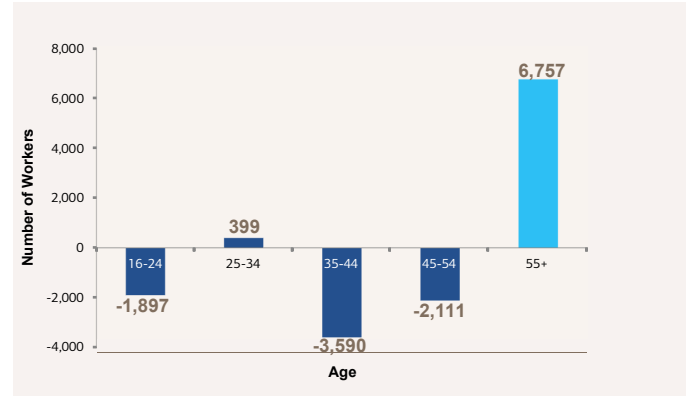
## The Working Retirement Revolution

As more people work in later life, retirement itself is also transforming. While retirement was once defined as the end of work, working in retirement is now increasingly the norm. Nearly half (47%) of today's retirees say they either have worked or plan to work during their retirement years (FIG 6).

*“Not working, that was for my parents’ generation. I can’t imagine not doing anything for 30 years. Nor could I afford to.”*  
—Focus Group Participant

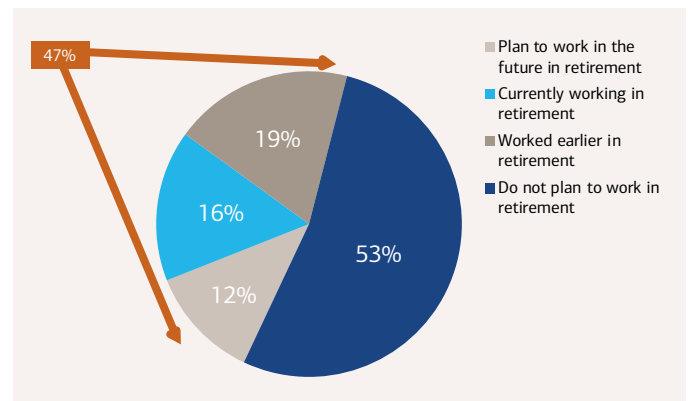
Moreover, the number of retirees who work will escalate in the years ahead, with 72% of pre-retirees age 50+ now saying that their ideal retirement includes work in some capacity (FIG 7).

Figure 5: Change in number of workers by age (in thousands), 2007-2014



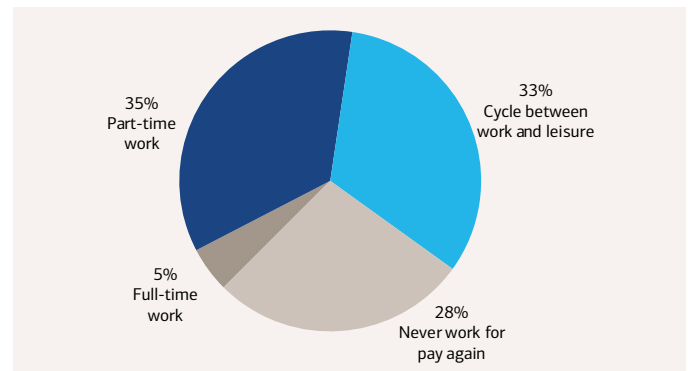
Source: Bureau of Labor Statistics, 2007Q1 to 2014Q1

Figure 6: Retiree work status



Base: Retirees, age 50+

Figure 7: Preferred retirement work status among pre-retirees



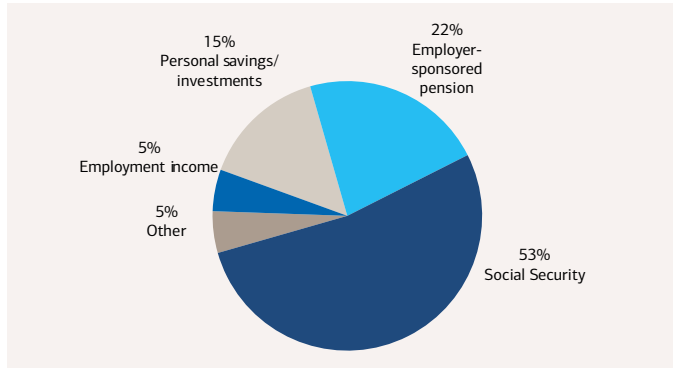
Base: Pre-retirees, age 50+; sums to >100% due to rounding

## Financing Retirement

Working in retirement is likely to become even more commonplace as Generation Xers and Millennials eventually head toward their retirement years. While many of today's retirees say they can count on Social Security and employer pensions to fund most of their retirement, future generations are far more likely to say they will need to rely primarily on personal savings and income from working during retirement (FIG 8).

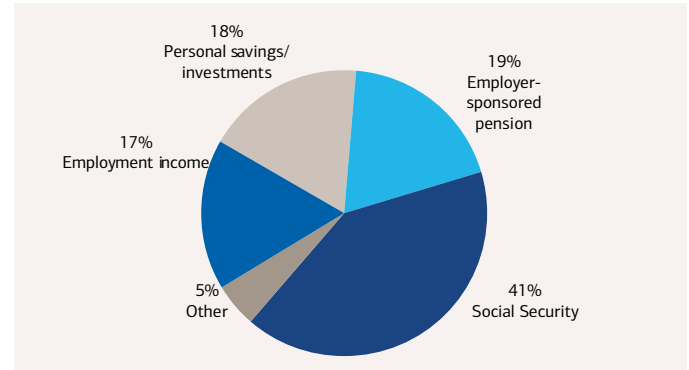
Figure 8: Expected sources of retirement income

### Silent Generation



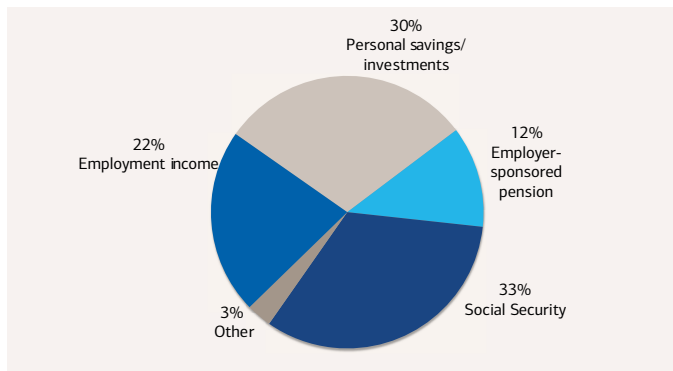
Base: Age 69-89

### Boomers



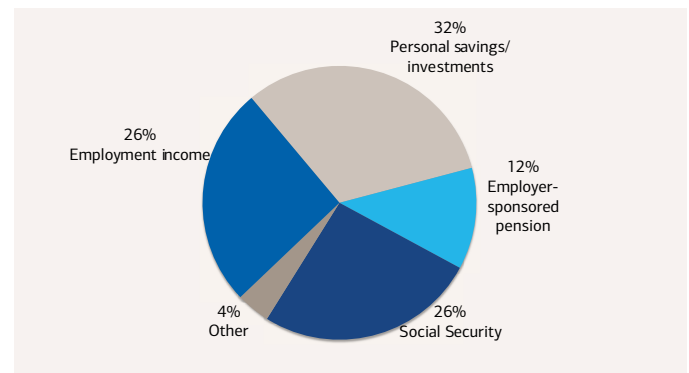
Base: Age 50-68

### Gen Xers



Base: Age 38-49

### Millennials



Base: Age 25-37

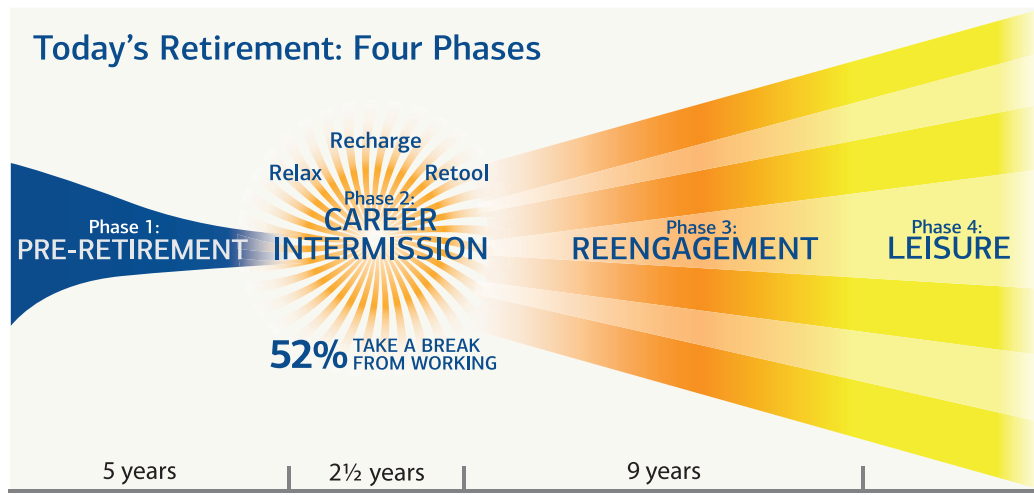


# Myth 2: Retirement Is a Time of Decline



Reality: A new generation of working retirees is pioneering a more engaged and active retirement – the New Retirement Workscape – which is comprised of four different phases.

Figure 9: The New Retirement Workscape



## Charting the New Retirement Workscape

Prior generations often viewed retirement as years of continuous leisure without work. Today, a new generation of working retirees is redrawing the retirement map to include four different phases: (1) Pre-Retirement, (2) Career Intermission, (3) Reengagement and (4) Leisure (FIG 9).

## Phase 1: Pre-Retirement

Five years before retiring, 37% of pre-retirees who want to work in retirement will have taken some substantial steps to prepare for continued work. Preparing to work in retirement then intensifies in the two years prior – at which point, 54% of pre-retirees who want to work in retirement will significantly prepare to do so.

## Phase 2: Career Intermission—Relax, Recharge, Retool

Most pre-retirees do not aspire to go directly from pre-retirement work to retirement work. About half (52%) of working retirees say they took a break from working when they first retired. The average Career Intermission is roughly two and a half years (or 29 months).

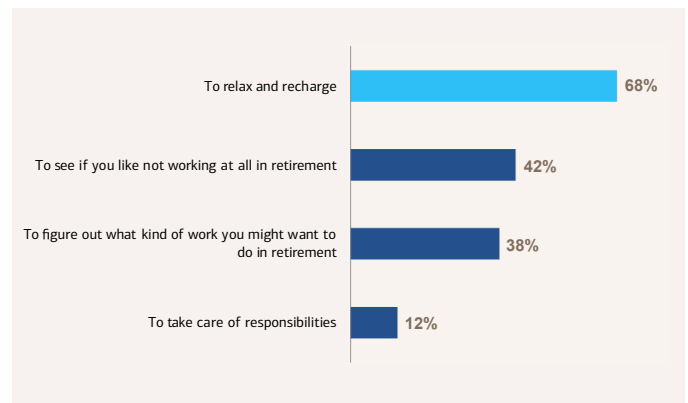
*“It took just three years of retirement before the bucket list started getting empty.” —Focus Group Participant*

For many, the Career Intermission phase—a “gap” or sabbatical period—is a chance to step away from stress and responsibility after an often strenuous pre-retirement career. Retirees who participated in this phase are five times more likely to say its top benefit was to have a chance to relax and recharge (68%) than a time to take on other responsibilities (12%) (FIG 10).

### Reentry Risks

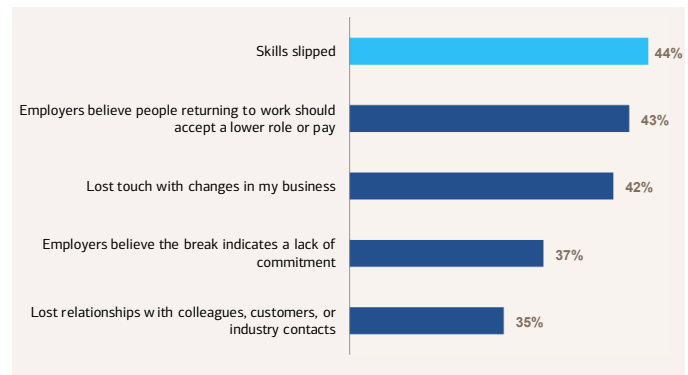
However, there are some potential downsides to the Career Intermission phase. Retirees say the biggest challenge of reentering the workforce after taking some time off is “skills slippage” (FIG 11). Other top challenges include biases from employers, losing touch with business trends, and lost relationships with key business contacts. And for older workers seeking employment, it can take nearly twice as long to secure a job as younger jobseekers.<sup>3</sup>

Figure 10: Top benefits of a Career Intermission



Base: Working retirees who took a break when they first retired

Figure 11: Biggest challenges of reentering the workforce during retirement



Base: Working retirees, age 50+ who took a break from work when they first retired

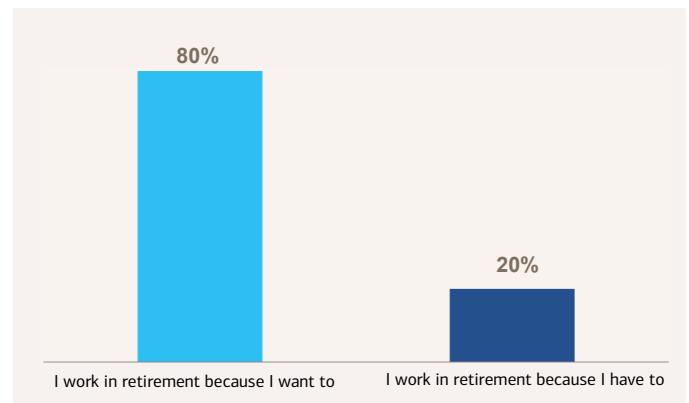
### Phase 3: Reengagement

After the Career Intermission phase, many of today's retirees return to work, beginning the third phase of retirement: Reengagement. The study found that, on average, this phase lasts nine years. Many retirees report that retirement can be a gateway to a new—and far more enjoyable—way of working. In fact, retirees are four times more likely to say they are continuing to work in retirement because they “want to” rather than because they “have to” (FIG 12) – in what we would refer to as “FlexCareers.”

Greater financial flexibility in later life can enable people to work more on their own terms. First, most retirees today can count on Social Security, Medicare, pensions or personal savings to help support their income. Second, many have fewer financial burdens and family obligations than they did in their pre-retirement years, and seven out of 10 homeowners age 65+ have paid off their mortgage.<sup>4</sup>

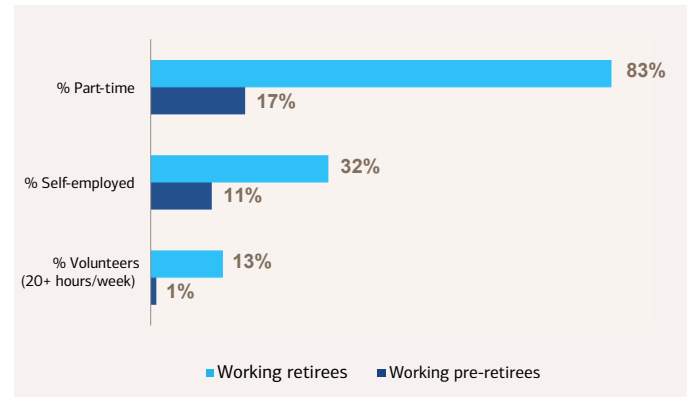
As a result, retirees are often able to work with greater life balance, to pursue entrepreneurial ambitions, or to use work in retirement as an opportunity to give back to their communities or worthy causes. Compared to those in pre-retirement careers, people in FlexCareers are nearly five times more likely to work part-time (83% vs. 17%) and three times more likely to be self-employed (32% vs. 11%) (FIG 13). Workers age 65+ have a new work/leisure equation, and clock in three-quarters as many hours as younger workers.<sup>5</sup>

Figure 12: Percent of working retirees who agree...



Base: Working retirees, age 50+

Figure 13: Work status: employed retirees and pre-retirees



Base: Employed, age 25+

Overwhelmingly, working retirees say their work is far more flexible, fun and fulfilling—and less boring and stressful—than their pre-retirement careers (FIG 14).

### For Many, Work Makes Retirement Better

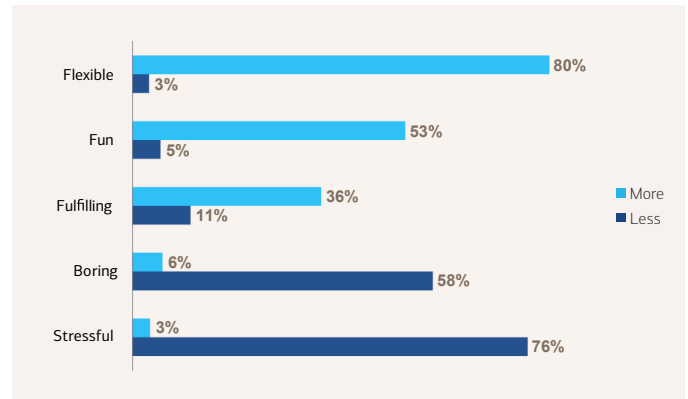
Retirees who continue to work in some form are more stimulated, connected to others, and proud of their lives than retirees who stop work completely (FIG 15). Regardless of work status, retirees agree that working in retirement helps people stay more youthful (83%), and that when people don't work in retirement, their physical and mental abilities decline faster (66%).

*"If you don't work, you shorten your lifespan; you get old faster."*  
—Focus Group Participant

### Phase 4: Leisure

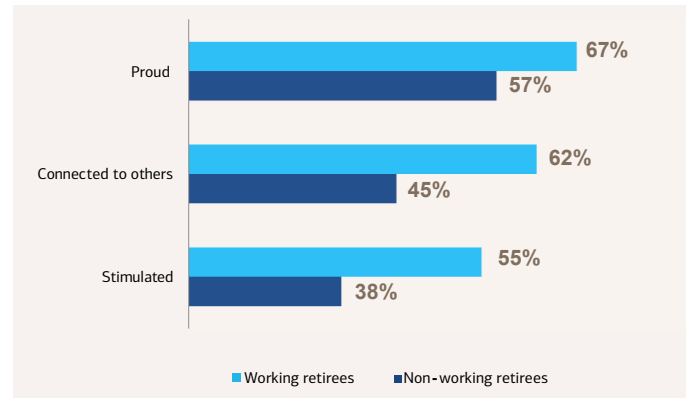
After engaging in FlexCareers, working retirees enter the fourth phase of retirement: Leisure. Shifting from a mix of work and leisure, retirees in this phase have permanently stopped working and view this time in their lives as an opportunity to rest, relax and focus on other priorities. Working retirees expect health challenges (77%) or simply not enjoying work as much (61%) to be the most likely causes of their stopping work permanently.

Figure 14: Compared to work before retiring, work in retirement is more/less...



Base: Working retirees, age 50+

Figure 15: Percent who feel...



Base: Retirees, age 50+

# Myth 3: People Primarily Work in Retirement Because They Need the Money



*Reality: There are four types of working retirees. While some work primarily for the money, many others are motivated by important nonfinancial reasons.*

## Not Just About Money

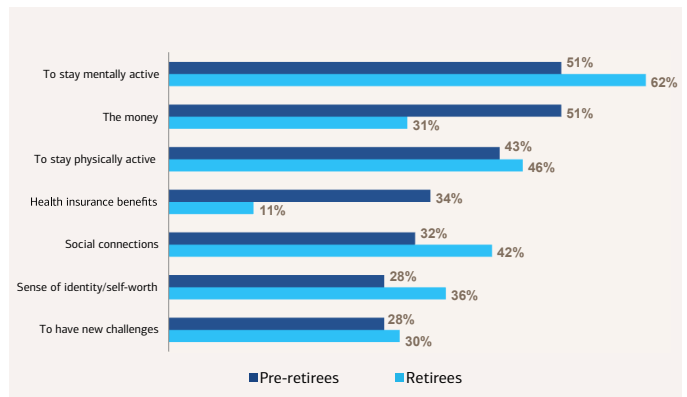
Income from continued work can play an important role in maintaining financial security in retirement. However, many retirees say the nonfinancial benefits of working are even more important. Among pre-retirees, “the money” and “staying mentally active” were tied as the top two reasons they believe they will work in retirement. Yet when working retirees were asked what they feel is the most important reason to work, they were twice as likely to say “staying mentally active” as “the money.” Working retirees also say that staying physically active, maintaining social connections, and having a strong sense of self-worth are more important reasons to work than the money (FIG 16).

## The Four Types of Working Retirees

Retirees are motivated to work for a variety of financial and nonfinancial reasons. The study revealed four distinct types of working retirees, each with very different work/ life priorities, ambitions and reasons for working: Driven Achievers, Caring Contributors, Life Balancers, and Earnest Earners (FIG 17).

These four types of working retirees were identified by quantitatively analyzing their attitudes toward and priorities involving work. While one working retiree type may share certain characteristics with another, this analysis identified attributes best describing each type of working retiree.

Figure 16: Top reasons to work in retirement



Base: Age 50+

Figure 17: Four types of working retirees



### Driven Achievers (15%)



- Four out of five (79%) feel at the top of their game
- Seek “retire-preneurship”: 39% own a business or are self-employed
- Are most satisfied with work (84%)
- Tend to be workaholics, even in retirement
- Actively prepared to work in retirement
- 54% feel financially prepared for retirement
- 39% female, 61% male
- Preferred retirement soundtrack: *Forever Young* (Artist: Rod Stewart)

### Caring Contributors (33%)



- Seek to give back to their communities or worthwhile causes
- Four out of 10 work for a nonprofit
- More than a quarter are unpaid volunteers
- Are highly satisfied with work (75%)
- One out of four volunteered in a related field before retiring
- Actively prepared to work in retirement
- 50% feel financially prepared for retirement
- 53% female, 47% male
- Preferred retirement soundtrack: *The Best Is Yet Come* (Artist: Frank Sinatra)

### Life Balancers (24%)



- Primarily want to keep working for the workplace friendships and social connections
- However, definitely need the extra money
- Seek work that is fun and not stressful, and often work part-time
- Have high levels of work satisfaction (67%)
- Took few steps to prepare for retirement work
- 42% feel financially prepared for retirement
- 50% female, 50% male
- Preferred retirement soundtrack: *Take It Easy* (Artist: The Eagles)

### Earnest Earners (28%)



- Need the income from working in retirement to pay the bills
- Fewer are satisfied with work (43%)
- Have many frustrations and regrets regarding working at this time in their life
- Three out of 10 don't feel motivated anymore
- Did little to prepare for working in retirement
- Just 4% feel financially prepared for retirement
- 53% female, 47% male
- Preferred retirement soundtrack: *Bridge Over Troubled Water* (Artist: Simon & Garfunkel)

# Myth 4: New Career Ambitions Are for Young People



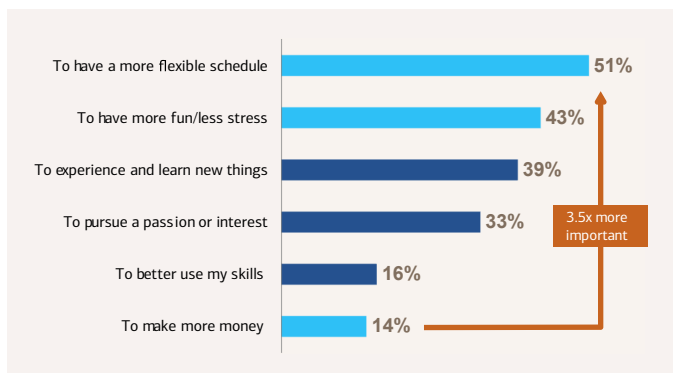
Reality: Nearly three out of five retirees launch into a new line of work, and working retirees are three times more likely than pre-retirees to be entrepreneurs.

## A Chance for Career Reinvention

For most, working in retirement is not simply more of the same. In fact, many see retirement as a chance to try something new and even pursue career dreams they were unable to explore during their pre-retirement years. Nearly three out of five (58%) working retirees said retirement was an opportunity to transition to a different line of work (FIG 18). Retirees who participated in the Career Intermission phase are even more likely to launch into new career paths than those who did not take a break from work (68% vs. 47%).

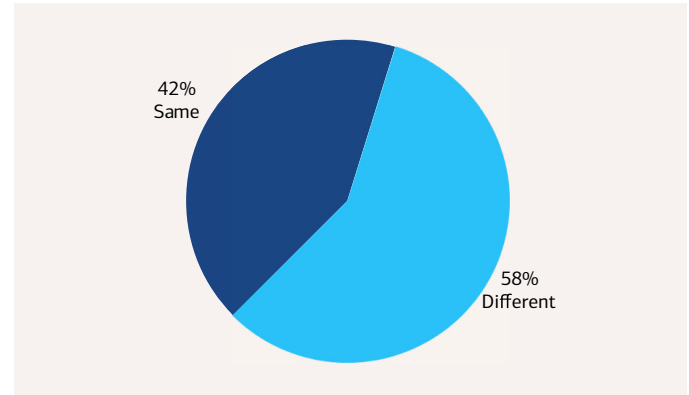
The top reasons retirees moved to a new line of work were not financial, but for a more fulfilling career: to have more flexibility, more fun and less stress. These reasons were three and a half times more important than “to make more money” (FIG 19). When working retirees were asked for their best advice for people who want to work in retirement, they said “be open to trying something new” and “be willing to earn less to do something you truly enjoy” (FIG 20).

Figure 19: Reasons working retirees pursued a different line of work



Base: Working retirees, age 50+ who pursued a different line of work in retirement

Figure 18: Percent of retirees in the same/different line of work as pre-retirement career



Base: Working retirees, age 50+

Figure 20: Working retirees' advice for working in retirement



Base: Working retirees, age 50+



Retirees who chose to stay in the same line of work were most often motivated by pride and satisfaction with their skills and expertise developed over the years. Very few felt stuck in their careers for financial reasons. In fact, they were nearly five times more likely to say that they stayed in the same line of work because they're good at what they do than because they didn't think they could make as much money in a different line of work (FIG 21).

### Retire-preneurship

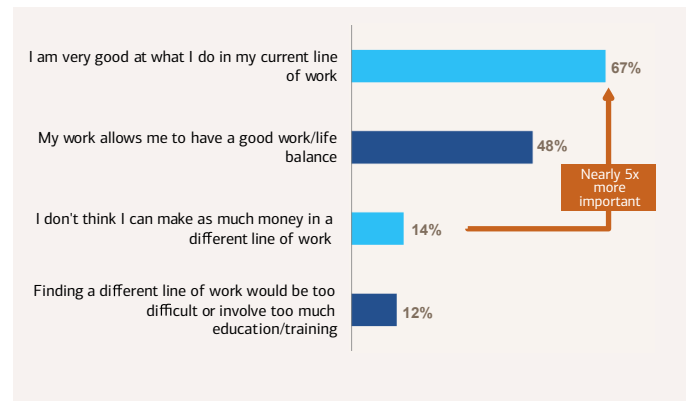
While many may think of typical entrepreneurs as people in their 20s from Silicon Valley, the reality is that older workers—with their vast experience, business connections, and often greater financial resources—have consistently exceeded younger workers in entrepreneurial activity (FIG 22).

Working retirees are three times more likely than pre-retirees to own their own business or be self-employed (32% vs. 11%).

While some may think retire-preneurs are forced to start their own companies because of age discrimination or difficulty getting a job, the top reason retire-preneurs started their own business was to work on their own terms (82%). Just 14% felt they had to start their own companies because they otherwise couldn't find work (FIG 23).

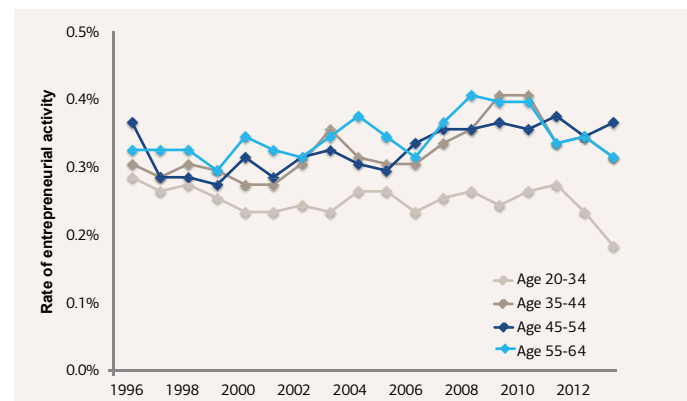
*“When you look at people inspired in their later life work, you realize it is because it’s their passion. They don’t consider what they do a job—they consider it their life.” —Focus Group Participant*

Figure 21: Reasons working retirees stayed in the same line of work



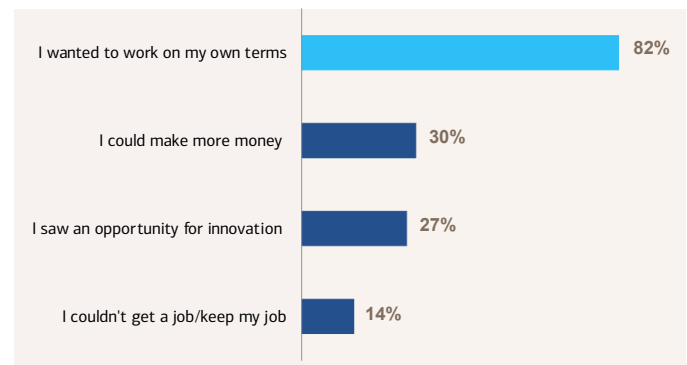
Base: Working retirees, age 50+ who stayed in the same line of work in retirement

Figure 22: Entrepreneurship by age group



Source: Kauffman Index of Entrepreneurial Activity, 2013

Figure 23: Reasons people started a business in retirement



Base: Working retirees, age 50+ who started a business/are self-employed

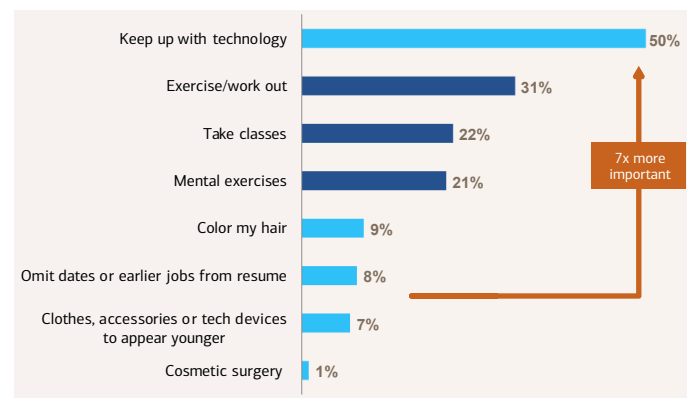
# Charting a Course to a Retirement FlexCareer



As more people remain productive during retirement, we will increasingly come to think of the later years of life not as a time of decline, but rather as an opportunity to craft a new path that is more fulfilling, stimulating, engaging, and financially and economically viable—for ourselves, our families, and the communities in which we live. This study reveals how today’s retirees are pioneering what it now means to work in retirement, and ways to prepare for a successful retirement career, which may include:

1. Getting started before you retire by taking steps such as expanding your business network, taking classes, volunteering or working part-time in a field related to work you may want to do, as well as talking with working retirees to better understand paths they took toward a fulfilling retirement career.
2. Talking with your spouse or partner about your retirement work plans to understand each other’s expectations and concerns, and discuss how you’ll balance work with other retirement priorities. Working retirees say this was the most important step to preparing for working in retirement.
3. Developing your technology skills. Seven times as many working retirees cite the importance of keeping up with technology vs. trying to appear younger as a means of improving their ability to work in retirement (FIG 24).
4. Talking with your employer before you retire to explore opportunities for continued work on a more flexible basis, or to engage in work you find more motivating. Your employer may have options that enable you to work more on your own terms, such as phased retirement, part-time or seasonal work, sabbaticals, and mentorship positions.
5. Determining whether you want to work for yourself or start a business in retirement. If this is of interest, talk to others who have taken this path. Consider speaking with a financial professional to determine the necessary steps to prepare and identify how best to manage any risks.
6. If engaging in the Career Intermission phase, consider ways to stay up to speed in your field to facilitate a smooth work reentry, such as maintaining business contacts or continued training.
7. Estimating your potential income from continued work in retirement as part of your overall retirement plan. Unlike income from some other sources, income from working can help keep pace with inflation. However, consider that health challenges—yours or a loved one’s—could force you to stop working earlier than you might anticipate.
8. Understanding how working in retirement can affect Social Security, Medicare and other benefits. Some benefits may be reduced or delayed due to employment income.

Figure 24: Strategies working retirees would consider to improve their ability to work in retirement



Base: Working retirees, age 50+

# Endnotes



<sup>1</sup> Burtless G, Quinn JF, "Retirement Trends and Policies to Encourage Work Among Older Americans," 2000; Centers for Disease Control and Prevention, National Center for Health Statistics, 2010

<sup>2</sup> Seburn P, "Evolution of Employer-Provided Defined Benefit Pensions," Monthly Labor Review, 1991

<sup>3</sup> Bureau of Labor Statistics, 2014

<sup>4</sup> Bureau of Labor Statistics, Consumer Expenditure Survey, 2011

<sup>5</sup> Bureau of Labor Statistics, 2014

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